Malaysia 2Q23 Economic Outlook

Global economic outlook faces headwinds, but Malaysia remains relatively resilient

SUMMARY

- Tighter financial conditions, due to monetary policy tightening by major central banks to fight inflation, the ongoing Russia-Ukraine crisis, and the emergence of global banking fears brought by the collapse of Silicon Valley Bank pose elevated headwinds to the global growth outlook.

- In 2Q23, price pressures could be further alleviated by slowing global economic activity, the easing of supply bottlenecks, declining commodity prices and the persistence of global financial instability.

- The US Fed's tightening cycle is nearly over, probably raising rates once more in May before cutting rates by 50 basis points (bps) in 4Q23, while the Bank of England (BoE) seems to have finished hiking and could follow with rate cuts by year-end. The European Central Bank (ECB) prioritises fighting inflation, is expected to continue raising rates and looks unlikely to cut rates this year. The Bank of Japan (BoJ) may adjust its monetary policy soon under new governor Kazuo Ueda, while the People's Bank of China (PBoC) is expected to remain dovish.

- The 10Y US Treasury (UST) yield may be volatile in 2Q23 due to the regional banking crisis and uncertainty over the Fed's policy. For end-2023, we expect the 10Y UST yield to settle at 3.10%.

- Crude oil prices may endure a period of volatility amid the fears of a global economic slowdown due to financial tightening and the prolonged Russia-Ukraine crisis. However, China's reopening and OPEC+ output restraint would likely support oil prices. Therefore, we maintain the average Brent crude oil price forecast at USD80.0/bbl for 2023 (2022: USD99.0/bbl).

- Malaysia's economy is projected to moderate sharply to 3.5% in 2Q23 (1Q23F: 5.1%) due to a waning low base effect and as the economy returns to normalcy. We maintain overall GDP growth forecast for 2023 at 4.7% (2022: 8.7%) as we expect domestic demand to remain resilient, backed by sizeable fiscal policy support and positive optimism over China's reopening.

- Headline CPI is expected to decrease gradually to 3.0% - 3.5% on average in 2Q23 due to government's efforts to reduce cost of living, a stronger ringgit and falling commodity prices. Potential risks of increased tourism and geopolitical uncertainty could push prices upwards. However, inflation may continue to trend lower and average around 2.5% in 2023.

- Due to a decline in inflationary pressures and the continued global economic slowdown, Bank Negara Malaysia (BNM) is anticipated to maintain the overnight policy rate (OPR) at its current level of 2.75% for the remainder of the year.

- Meanwhile, the Fed's recent transition to a more dovish monetary policy stance may shift the ringgit's bearish narrative moving forward, potentially leading to the local note trading below the 4.40 level by the end of 2Q23. While Malaysia's robust economic fundamentals should also support the ringgit's performance, external factors may still influence its trajectory. Despite this, we are still maintaining our earlier projections of 4.35 and 4.11 for 2Q23 and end-2023, respectively.

- Domestic bonds are expected to remain less sensitive to the volatility among developed market sovereigns, whilst decent domestic demand and improving foreign demand, as investors seek portfolio diversification outside of the US and Europe mainly towards the emerging markets, are expected to lower MGS yields. We expect the 10Y MGS yield to reach 3.65% by end-2023.

- Risk to Malaysia's growth outlook remains, chiefly from external sources such as the ongoing concerns about a recession in the US amid further Fed rate hikes and the impact of recent global banking instability, as well as escalation over geopolitical tensions. Nonetheless, China's economic reopening is expected to support global growth.

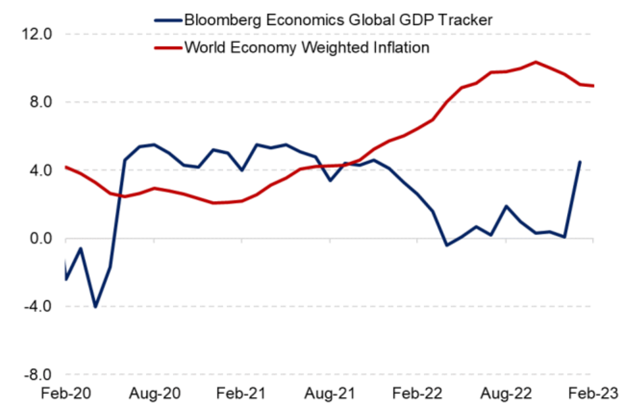
Global Macro Outlook – 2Q23

- **The risk of a global economic slowdown looms as major central banks tightens monetary policy, but China's reopening could partially counterbalance negative effects. However, US banking crises and complications with monetary policy remain concerning.**

  - **Growth:** Moderate global economic growth is expected, supported by China's reopening optimism.

    - The risk of a global economic slowdown appears imminent as the global economy continues to endure a bumpy road of recovery due to a mix of headwinds, such as further monetary policy tightening by major central banks to combat inflation and the emergence of global banking fears triggered by the collapsed of Silicon Valley Bank. At the same time, geopolitical tensions remained elevated with the prolonged Russia-Ukraine war and worsening US-China relations. Nonetheless, the downside factors were partially offset by the optimism of China's reopening and better-than-expected growth in the advanced economies amid resilient domestic demand. This was represented by the Global Manufacturing PMI, which returned to growth at the 50.0 neutral mark in February from 49.1 in the preceding month, underpinned by improvement in the supply chain as China reopens. In turn, the International Monetary Fund (IMF) upgraded the 2023 global growth outlook to 2.9% from 2.7% earlier. Meanwhile, the World Bank retained its growth projection at 1.7%.

Graph 1: Global Indicators



Source: Bloomberg, Kenanga Research

    - Nevertheless, the risk of a further slowdown is heightened, given some weak macroeconomic numbers. This includes China's exports which fell by 6.8% in January and February combined (Dec: -9.9%), further amplified by weakness in Singapore's manufacturing output which fell by 8.9% YoY in February (Jan: -3.1%), its fifth consecutive month of decline.

    - As major central banks have been raising interest rates for the past year till 1Q23, we anticipate the effects of these cumulative rate hikes will become apparent starting in the 2Q23 onwards and are likely to result in a reduction in demand and economic growth. However, we expect any potential sharp slowdown in the global economy to be mitigated by China's economic recovery which is expected to pick up pace in the coming months.

  - **Inflation:** The deceleration of global economic activity, the reduction of supply bottlenecks, the decline in commodity prices, and the persisting instability of the global financial market may contribute to a further moderation of price pressures during the 2Q23.

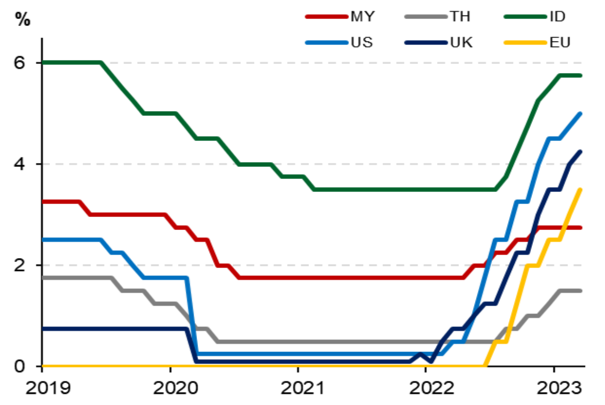
    - After experiencing a series of global shocks and inflationary episodes, such as severe global supply chain disruptions during the COVID-19 pandemic and an energy crisis during the Russia-Ukraine war, we believe that the global inflation has now peaked. With the boost to economic activity from the reopening already fading and supply bottlenecks mostly resolved, price pressure is expected to ease in the coming months. This, combined with lower energy and commodity prices, should help to further unwind inflationary pressure. Furthermore, the prevailing financial instability could potentially impede demand by creating pressure on credit flow, but at the same time, this could come at the expense of a more severe recession than anticipated.

    - Despite this, there are still worries about the potential second-round effects brought about by the tight labour market conditions in advanced economies, specifically in the US. The danger lies in the likelihood of a disparity between the cost of living and the reported inflation rate, which could result in inflation expectations becoming unmoored. The interplay between wages and prices could lead to a sustained high inflation rate that could eventually influence inflation expectations. This could make it challenging to control inflation in the long run. Hence, policymakers must remain watchful and monitor these developments closely to ensure that inflation remains within their target and well-anchored.

  - **Monetary Policy:** Financial instability triggered by the collapse of several banks in the US and in Europe has complicated the policy decisions of some central banks in developed markets. However, it is expected that the Fed, ECB, and BoE will likely end their tightening cycles in the coming months and may consider cutting rates towards year's end.

- US monetary policy faces greater complexity due to the recent banking crisis and despite the widely expected 25 bps rate hike by the Fed at its most recent meeting. While Fed Chairman Jerome Powell tried to calm markets, we think it is still likely that the recent bank collapses will trigger a credit crunch, leading to a harder landing for the US economy. Meanwhile, US CPI slowed in February (6.0% YoY; Jan: 6.4%) and industry data indicates the potential for rental and housing prices to decrease in 2H23, which could result in even lower inflation going forward. As such, we reckon that the Fed's tightening cycle is near its end, and that it will raise rates just one more time in May by 25 bps to a terminal rate of 5.25%. Thereafter, partly in line with market expectations, we expect the Fed to cut rates by 50 bps in 4Q23 back to 4.75% as the US potentially enters a mild recession. That said, Fed Funds Futures currently indicate that markets expect rate cuts to commence as early as July and are pricing in a 34.0% chance that the FFR will be cut to 4.00% by the end of the year, which we think is too soon, too aggressive, and quite unlikely given that inflation is still concerningly elevated.

Graph 2: Selected Central Banks Policy Rates



Source: Bloomberg, Kenanga Research

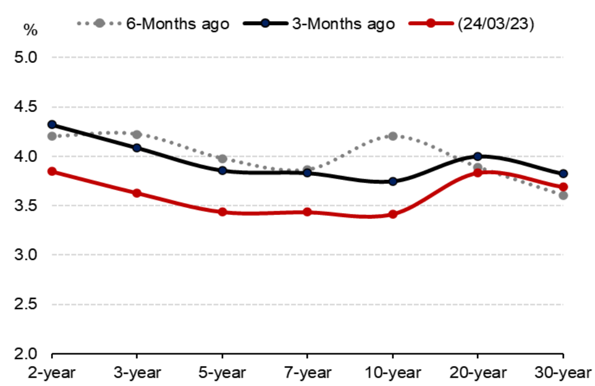
- In Europe, we think that the BoE has already reached the end of its hiking cycle with its most recent 25 bps hike to 4.25%, with the policy committee sounding dovish, highlighting expectations for inflation to fall sharply over the rest of 2023 and stressing concerns over the impact of the banking turmoil. Likewise, given the worsening UK economic outlook, we think the BoE is more likely to follow the Fed with rate cuts by the end of the year. Meanwhile, the ECB seems to be prioritising the fight against inflation, signposted by Lagarde's statement that the central bank had more ground to cover especially if the market turmoil surrounding Credit Suisse subsides. Thus, we think the ECB will continue to raise rates at the next couple of meetings, potentially reaching a peak rate of 3.75% or 4.00%, and is unlikely to starting cutting rates this year.

- For Asia, it is clear that Bank Indonesia has finished raising rates and the Bank of Thailand is widely expected to complete its tightening cycle with a final 25 bps hike on March 29; we expect the two central banks to maintain status quo for the rest of the year. The Bank of Japan, under new governor Kazuo Ueda, may soon adjust its monetary policy by either expanding the yield curve control band by another 25 bps or abandoning it altogether. Furthermore, as inflation in Japan continues to appear more demand-pull driven, there is a growing possibility that the BoJ finally raises interest rates and ends its negative interest rate policy in 2H23. Meanwhile, the PBoC is expected to remain dovish for longer as it continues to further shore up China's recovery following the reopening of its economy.

– **US Treasuries:** The 10Y UST yield is expected to remain very volatile in 2Q23 amid uncertainty due to the regional banking crisis and the Fed's policy response; we expect it to trend between 3.20% – 3.50% before settling at around 3.35% by end-June.

- For the remainder of 2023, we reckon that US yields will continue trending lower as markets price in Fed rate cuts for the end of the year and for next year. That said, we think that current market expectations of 75 bps – 100 bps worth of rate cuts this year are too aggressive. Given that our house view is that the Fed will cut by only 50 bps by the end of the year, we reckon there is room for UST yields, especially along the short- and middle end of the curve, to reprice slightly higher in the near-term. Treasuries will still benefit from the strong safe-haven demand recently seen amid the banking crisis, but the pace of demand will likely ease as investors adjust to the Fed

Graph 3: UST Yield Curves

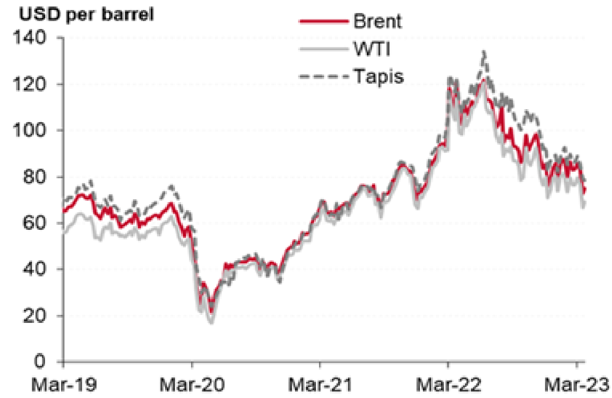


Source: Bloomberg, Kenanga Research

probably holding rates longer than expected. As a result, we expect the 10Y UST yield to reach 3.10% by end-2023 and for short-term yields to still fall at faster pace throughout 2023, causing the yield curve inversion to end by 4Q23.

- **Crude oil:** To remain volatile in 2Q23 and for the rest of the year.
  - Rising fears of a global economic slowdown and its impact on oil demand continue to weigh on Brent crude oil prices in early 2023. Brent was traded at an average of USD82.4/barrel (bbl) in 1Q23 (as of March 24th), lower than USD88.6/bbl recorded in 4Q22, and a sharp decline compared to the 1Q22 average price of USD97.9/bbl. This was also associated with a continuous US crude oil inventory build-up amid slower demand. Barring any unforeseen external shock and considering the global economic downturn narrative that will persist, as well as the ongoing Russia-Ukraine crisis, we retain our average Brent crude oil price forecast at USD80.0/bbl for 2023. Meanwhile, the US Energy Information Administration (EIA) projects an average of USD84.0/bbl and USD83.00/bbl for 2Q23 and 2023, respectively. Nevertheless, we expect the price to remain supported by China's reopening with Chinese travel to drive consumption going forward. This will be further supported by OPEC+ output restraint as it remains cautious over global consumption and economic outlook.

Graph 4: Crude Oil Price Trend (USD/bbl)

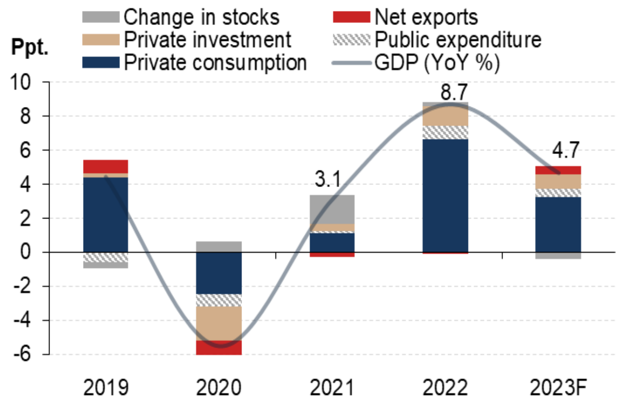


Source: CEIC, Kenanga Research

Domestic Macro Outlook – 2Q23

- **Domestic growth is expected to slow amid fiscal policy normalisation and a slowing global economy**
  - **GDP:** Domestic growth is expected to moderate sharply to six-quarter low in 2Q23.
    - GDP growth is projected to slow to 3.5% in 2Q23 (1Q23F: 5.1%), its lowest since 1Q22 (5.0%), as the lower base effect dissipated and the economy returned to normalcy with the absence of stimulus measures. This also considers the impact of the global economic slowdown amid further tightening in global monetary policy to combat rising inflationary pressure. As a result, global commodity prices eased in early 2023, while Malaysia's export performance registered a second MoM growth contraction in February (-0.3%; Jan: -14.5%) despite the optimism arising from China's economic reopening.
    - Nevertheless, we believe the downside risk to growth, from the domestic side, will be limited due to the lower political risk premium and the expected increase in investments. This is also due to a clear policy direction by the unity government along with its revised Budget 2023, which saw the government continue to lean towards expansionary fiscal policy to support growth. Growth will also be supported by robust domestic demand, amid sustained private spending due to lower unemployment rate which is expected to average at 3.5% (2022: 3.8%), and supportive policy measures, including the continuation of subsidies and cash transfer programmes for the B40 group. The government has also pledged to accelerate infrasructure projects especially to rebuild and repair rural clinics, schools, and public roads as well as to implement the JENDELA infrastructure project to boost 5G coverage. In addition, the continued increase in tourist arrivals, which we project to increase to 16.0m (2022: 10.1m), will further support tourism recovery and the sector's labour market conditions, as well as the services sector in general. Against this backdrop, we maintain the 2023 GDP growth forecast of 4.7%, compared to the government and consensus projection of 4.5% and 4.0% growth, respectively.

Graph 5: GDP Growth Trend



Source: CEIC, Kenanga Research

– **Inflation:** The decline may persist due to the government's efforts to lower the cost of living, a strengthening of the national currency, a slowdown in global demand, stricter financial conditions, and a drop in commodity prices.

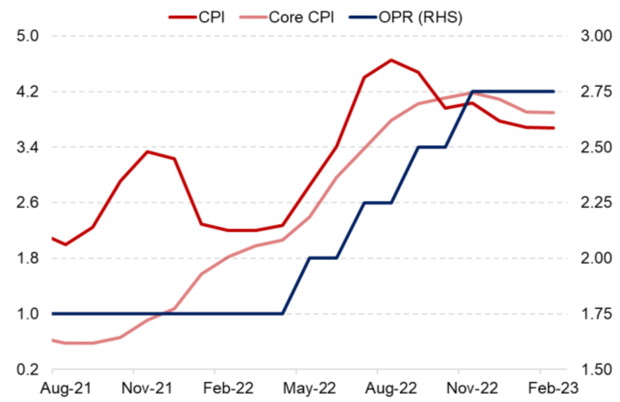
- Headline inflation is expected to decrease gradually and to average around the 3.0% - 3.5% level in 2Q23. This is due to a combination of factors, including the government's ongoing efforts to reduce the cost of living, a stronger ringgit, along with slowing global demand, tighter financial conditions, falling commodity prices, and a favourable base effect. Additionally, the expectation that the government may continue to provide fuel subsidies throughout the year may continue to assist in reducing inflation. However, a potential removal of ceiling price for eggs and chicken in June may marginally increase price pressure.

- On the external front, there are still some potential risks that could push inflation higher. One such risk is the potential increase in tourism activity, which could drive up demand and raise prices for goods and services. Another potential risk is heightened geopolitical uncertainty, which could lead to a rise in commodity prices and further exacerbate inflationary pressures. Despite the risks, the overall expectation is that inflation will continue to trend lower in 2Q23 and potentially average around 2.5% in 2023.

– **Monetary Policy:** BNM appears to have reached the end of its policy normalisation cycle and is expected to keep the OPR unchanged at 2.75% for the rest of the year.

- Due to the downward trend of both headline and core inflation, falling below 4.0%, BNM is expected to maintain the OPR at 2.75% during its upcoming May monetary policy meeting. We believe that the central bank has concluded its policy normalisation cycle, given the aforementioned decrease in inflationary pressures and the ongoing global economic deceleration, worsened by the banking turmoil in the US and Europe. Looking ahead, it is likely that BNM may maintain its current policy stance until the end of 2023, in line with its commitment to ensure price stability and sustainable economic growth. However, there are always risks and uncertainties that could affect the central bank's decisions. Therefore, any unforeseen developments in the economy, such as further unexpected shocks to the global financial market or increasing geopolitical risk, may prompt BNM to reconsider its stance and adjust the OPR accordingly.

Graph 6: Malaysia Inflation Rates and BNM OPR

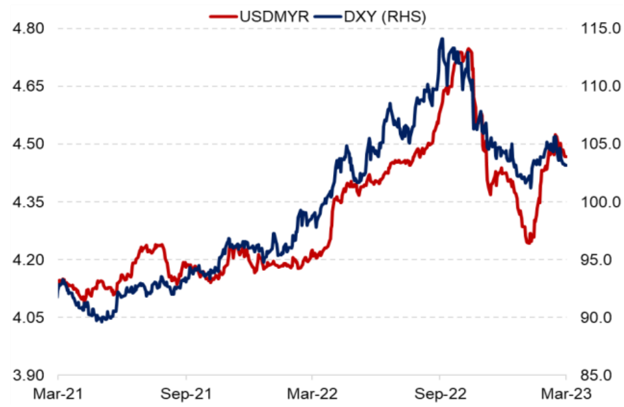


Source: CEIC, Kenanga Research

– **Ringgit:** The weakening of the USD due to the recalibration of market expectations for a more dovish Fed, coupled with Malaysia's stable political environment and a more resilient economic outlook, may help to support the local note to trade stronger below the 4.40 level by end-2Q23.

- The ringgit is likely to be influenced by a variety of factors in the coming months. Primarily, further weakening of the USD, as the market recalibrate its expectations on Fed monetary policy to moderately dovish from hawkish, may benefit the local note and other emerging market currencies. On the domestic front, the ringgit could benefit from Malaysia's improving political front and a relatively resilient economic outlook, which are expected to support investor confidence and attract inflows of foreign capital. At the moment, we do not see any apparent risk from the upcoming state elections. However, rising tensions between the US and China and the ongoing Russia-Ukraine conflict are some of the risks that could pose headwinds to the ringgit.

Graph 7: USDMYR and DXY Trend



Source: Bloomberg, Kenanga Research

- To note, the current banking turmoil in the US and Europe have yet to result in a sharp increase in risk aversion, as evidenced by the Chicago Board Options Exchange's Volatility Index. Meaning that, despite concerns about potential risks, some investors are still investing in risk-on assets, particularly in emerging markets. This may be attributed to the promising long-term growth potential of emerging markets that outweighs the short-term risks. Nevertheless, it is important to keep in mind that the situation remains dynamic, with the ongoing regional banking crisis in the US posing a possible threat of another round of financial turbulence.

- Moving forward, once the Fed begins to ease its monetary policy, potentially in 4Q23, the market may transition from a period of volatility to one of more accommodating financial conditions. This shift could lead to improved net capital flows into emerging markets, benefitting high-yielding emerging currencies including the ringgit. As such, the outlook for ringgit is nuanced and depends on a range of domestic and global factors. While Malaysia's strong economic fundamentals could support the ringgit's performance, external risks may impact its trajectory. That being said, at this current juncture, we retain our 2Q23 and end-2023 forecasts at 4.35 and 4.11 respectively.

– **Bond Market:** Domestic bonds are expected to be less sensitive to the heightened volatility in developed bond markets, as Malaysia is relatively sheltered from the financial instability in the US and Europe, and as the Fed, BoE, and ECB's policy stance continues to diverge from BNM's; we expect the 10Y MGS yield to fall to 3.80% over 2Q23.

- For the rest of 2023, we expect domestic bond yield movements to remain less synchronised with the sharp downtrend in US yields; the 90-day moving correlation between the 10Y MGS-UST yield has dropped to around 0.25, compared to around 0.80 a month ago. That said, the 10Y MGS yield is currently around 13 bps higher than its 10-year mean and still looks attractive. Thus, we expect decent domestic demand and growing demand from foreign investors to push yields slightly lower this year. As such, our end-2023 target for the 10Y MGS yield is 3.65%, partly steered by the possible improvement of global risk-on sentiment in 2H23 and as developed market bond yields fall at an even faster pace.

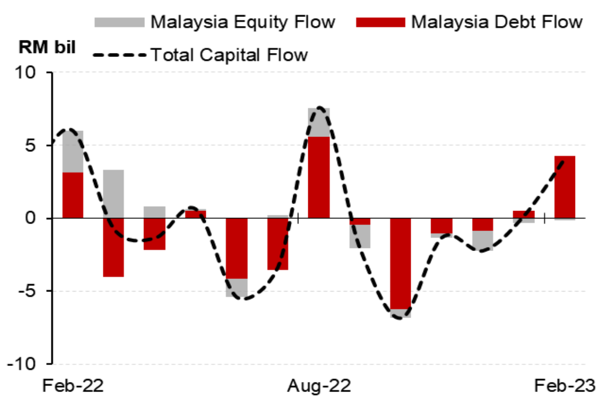
- The domestic bond market may have received decent foreign demand in March and may continue to sustain inflows in the near-term. This is due to foreign investors potentially seeking portfolio diversification beyond the US and Europe amid the heightened risks posed by the banking crises. Investors may be seeking higher returns in Asia, as many central banks in Southeast Asia, including BNM, are expected to halt their tightening policies and are unlikely to reduce interest rates in the next 12 months. From 2H23, we expect foreign inflows into Malaysia's bond market to strengthen and become more stable on improving global risk sentiment, after most major central banks to likely complete their tightening cycles in 2Q23 and potentially signal rate cuts in the later part of the year. Furthermore, Malaysia's bond market remains attractive due to higher government bond yields than most other regional market sovereigns, except against Indonesian bonds, and as MGS has regained its positive yield differentials against developed market bonds, specifically with the sharp fall in UST yields.

Table 1: 10Y MGS and UST Forecasts*

	Q2-23F	Q3-23F	Q4-22F	Q1-24F
MGS	3.80	3.70	3.65	3.60
UST	3.35	3.20	3.10	3.00

*Source: Kenanga Research, *End of period*

Graph 8: Monthly Capital Flows



Source: BNM, Kenanga Research

Downside Risks

- **Malaysia's growth outlook remains subject to several external risks, led by concerns surrounding a potential recession in the US amidst the Fed's rate hikes and repercussions from the banking crisis, as well as the possibility of escalating geopolitical tensions between China and the US.**

  – **Geopolitical tension:** Tensions between the **US and China** have escalated over the last several years with tariffs and sanctions. More recently, tensions escalated over the chip war and war on words over South China sea navigation as well as the attempt to ban TikTok. In addition, the Biden administration is on the verge of issuing an executive order that will ban all American investment in high-end Chinese technology such as artificial intelligence, quantum computing, 5G technology and advanced semiconductors. A further escalation is expected to increase global economic outlook uncertainty and weigh on international trade performance. Furthermore, the intensity of the situation across the Taiwan Straits has escalated due to **China-Taiwan** tension. China has recently flexed its military assets by sending aircraft and warships close to Taiwan. This was further amplified by the US, which deployed its maritime patrol aircraft to fly through the Taiwan Strait. This rising geopolitical tension may lead to business disruptions that may increase global chip shortage in the near term. Meanwhile, the conflict in eastern Europe between **Russia and Ukraine** shows no apparent signs of ending in the near term. The tensions continue escalating with Russia stepping up its military attack, while Ukraine receives more military support from the West. Furthermore, the International Criminal Court issued an arrest warrant for the Russian President, Vladimir Putin, followed by threats from Russia. Besides, there was no outcome on the path to peace from the Chinese leader's recent visits to Russia. Given the expectation that the war will prolong for quite some time, the most likely outcome in the near term will continue to impact the energy and food sectors.

– **Recessionary risk:** The risk of a US recession has increased due to the collapse of Silicon Valley Bank and the ensuing regional banking crisis, exacerbated by the Fed's commitment to raise rates to fight inflation. The surge in interest rates over the last year has led to a large net unrealised loss on US commercial banks' interest-rate sensitive debt securities, triggering the banking instability earlier in March. Although smaller banks remain very vulnerable, measures to backstop the banking system may help to avoid a full-blown crisis. However, market confidence has taken a hit, which will likely cause banks to tighten lending standards and will likely lead to a greater credit crunch. Bond traders are betting heavily on a US recession, leading to a sharp decline in US Treasury yields and a steepening of the yield curve. Despite the likelihood of another Global Financial Crisis being low due to swift responses and better bank capitalisation, a harder landing for the US economy is likely as overall demand weakens amid the credit crunch.

Table 2: Forecast and Assumptions

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023F
Real GDP (%YoY)	6.0	5.0	4.2	5.9	4.7	4.4	-5.6	3.1	**8.7**	**4.7**
Consumer Price Index (avg.)	3.2	2.1	2.1	3.7	1.0	0.7	-1.2	2.5	**3.3**	**2.5**
Current Account Balance (% of GDP)	4.4	3.0	2.4	2.8	2.1	3.4	4.4	3.8	**2.6**	**2.6**
Fiscal Balance (% of GDP)	-3.4	-3.2	-3.1	-3.0	-3.4	-3.4	-6.2	-6.5	**-5.5**	**-5.0**
Unemployment Rate (%)	2.9	3.2	3.3	3.4	3.4	3.3	4.5	4.6	**3.8**	**3.5**
Manufacturing Output (%YoY)	6.1	4.8	4.3	6.0	5.0	3.8	-2.7	9.5	**8.1**	**4.1**
Exports of Goods (%YoY)	6.4	1.6	1.2	18.8	7.3	-0.8	-1.1	26.1	**27.0**	**5.8**
Overnight Policy Rate (end-period)	3.25	3.25	3.00	3.00	3.25	3.00	1.75	1.75	**2.75**	**2.75**
USDMYR (end-period)	3.50	4.29	4.49	4.05	4.13	4.09	4.02	4.17	**4.40**	**4.11**
Palm oil (RM/tonne, avg.)	2,384	2,166	2,649	2,791	2,235	2,244	2,767	4,407	**4,500**	**3,800**
Crude oil (Brent) (USDD/bbl, avg.)	99.5	53.6	45.1	54.8	71.6	64.1	43.2	70.9	**99.0**	**80.0**

Source: MoF, BNM, Bloomberg, Kenanga Research, F = Forecast

Table 3: Malaysia GDP Growth (constant 2015 prices) and Contribution to Growth By Sector (Supply) and Expenditure (Demand)

				KIBB							MOF
YoY %	**3Q22**	**4Q22**	**2022**	**1Q23F**	**2Q23F**	**3Q23F**	**4Q23F**	**1H23F**	**2H23F**	**2023F**	**2023F**
By Sector											
Agriculture	1.2	1.1	0.1	-0.6	-0.2	1.0	2.1	-0.4	1.5	0.6	1.1
Mining	9.2	6.8	3.4	3.2	1.7	1.1	1.7	2.5	1.4	1.9	1.2
Manufacturing	13.2	3.9	8.1	3.4	2.5	4.8	5.8	2.9	5.3	4.1	3.9
Construction	15.3	10.1	5.0	6.8	4.6	4.3	4.6	5.7	4.5	5.1	6.1
Services	16.7	8.9	10.9	6.6	4.5	5.0	6.1	5.5	5.6	5.6	5.3
Real GDP	**14.2**	**7.0**	**8.7**	**5.1**	**3.5**	**4.5**	**5.5**	**4.3**	**5.0**	**4.7**	**4.5**
Ppt. Contribution											
Agriculture	0.1	0.1	0.0	0.0	0.0	0.1	0.1	0.0	0.1	0.0	0.1
Mining	0.6	0.4	0.2	-0.1	0.5	0.2	0.2	0.1	0.1	0.1	0.1
Manufacturing	3.2	1.0	2.0	0.8	0.6	1.2	1.4	0.7	1.3	1.0	1.0
Construction	0.5	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Services	9.5	5.1	6.2	3.9	2.6	2.9	3.6	3.2	3.2	3.2	3.1
Real GDP	**14.2**	**7.0**	**8.7**	**5.1**	**3.5**	**4.5**	**5.5**	**4.3**	**5.0**	**4.7**	**4.5**
By Expenditure											
Consumption	13.1	6.3	9.9	4.6	4.2	4.9	5.1	4.4	5.0	4.7	5.2
Public	4.5	2.4	3.9	0.7	1.1	1.5	2.1	1.3	1.7	1.5	1.0
Private	15.1	7.4	11.3	5.3	4.7	5.5	6.1	5.0	5.8	5.4	6.1
Investment	13.1	8.8	6.8	5.4	4.6	6.7	5.9	5.0	6.3	5.7	6.0
Public	13.1	6.0	5.3	6.5	5.3	8.5	5.9	5.9	6.9	6.5	7.0
Private	13.2	10.3	7.2	5.1	4.5	6.3	5.9	4.8	6.1	5.4	5.8
Public Spending	6.3	3.5	4.3	2.4	2.3	3.6	2.6	2.4	3.0	2.7	2.5
Private Spending	14.7	7.9	10.4	5.3	4.7	5.7	6.1	5.0	5.9	5.4	6.1
Domestic Demand	13.1	6.8	9.2	4.8	4.3	5.3	5.3	4.5	5.3	4.9	5.4
Exports	23.9	10.1	12.8	5.3	3.5	2.5	4.3	4.4	3.4	3.9	3.1
Imports	24.4	11.5	14.2	4.7	3.3	2.1	3.9	4.0	3.0	3.5	2.3
Net exports	18.7	23.4	-1.8	15.4	7.0	7.2	7.5	11.1	7.4	8.7	13.0
Real GDP	**14.2**	**7.0**	**8.7**	**5.1**	**3.5**	**4.5**	**5.5**	**4.3**	**5.0**	**4.7**	**4.5**
Ppt. Contribution											
Consumption	9.8	4.7	7.2	3.4	3.0	3.6	3.7	3.2	3.7	3.5	3.8
Public	0.6	0.4	0.5	0.1	0.2	0.3	0.2	0.2	0.2	0.2	0.1
Private	9.2	4.3	6.6	3.3	2.8	3.4	3.6	3.0	3.5	3.3	3.7
Investment	2.5	1.6	1.4	1.1	1.0	1.3	1.1	1.0	1.2	1.1	1.2
Public	0.5	0.4	0.2	0.3	0.2	0.3	0.4	0.2	0.3	0.3	0.3
Private	2.0	1.3	1.1	0.8	0.8	1.0	0.7	0.8	0.9	0.8	0.9
Public Spending	1.1	0.8	0.8	0.4	0.4	0.6	0.6	0.4	0.6	0.5	0.4
Private Spending	11.2	5.5	7.8	4.1	3.6	4.3	4.3	3.8	4.3	4.1	4.6
Domestic Demand	12.3	6.3	8.5	4.5	4.0	4.9	4.9	4.2	4.9	4.6	5.0
Exports	16.3	6.6	8.9	3.7	2.5	1.8	3.0	3.1	2.4	2.8	2.2
Imports	15.2	5.0	9.0	3.1	2.3	1.4	2.4	2.7	1.9	2.3	1.5
Net exports	1.0	1.6	-0.1	0.6	0.3	0.4	0.6	0.4	0.5	0.5	0.7
Real GDP	**14.2**	**7.0**	**8.7**	**5.1**	**3.5**	**4.5**	**5.5**	**4.3**	**5.0**	**4.7**	**4.5**

Source: DoSM, Kenanga Research, F: forecast, PPT: percentage point

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